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Message Text

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43
ACTION SIG-02

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C O N F I D E T I A L LIMA 7949

STADIS//

EO 11652: GDS
TAGS: APER, OBGEN
SUBJECT: INSPECTION OF ARA/LA

REF: STATE 211546

FOR INSPECTOR GENERAL FROM AMBASSADOR

1. LIMA INSPECTION REPORT OF JUNE 8 CONTINUES TO DESCRIBE CORRECTLY THIS EMBASSY'S VIEWS AS TO ADEQUACY AND APPROPRIATENESS OF DEPARTMENT'S CURRENT POLICY GUIDANCE. THE ONE MAJOR CHANGE SINCE THAT TIME HAS BEEN THE DECISION ON BASIS OF OUR NATIONAL SECURITY INTERESTS TO REOPEN PERUVIAN ACCESS TO MILITARY SALES (FMS) TRANSACTIONS. AT LEAST THIS ASPECT OF OUR RECENT SELF-DEFEATING POLICIES VIS-A-VIS PERU HAS BEEN REMEDIED FOR THE TIME BEING, AND MADE IT POSSIBLE FOR GOP TO RESUME TALKS WITH US ON THE TUNA FISHERY DISPUTE. I ALSO EXPECT THAT OUR RESUMPTION OF FMS SALES MAY HAVE IMPROVED CLIMATE SOMEWHAT FOR THE CURRENT NEGOTIATIONS LOOKING TOWARD SETTLEMENT OF PENDING INVEST-MENT DISPUTES.

2. HOWEVER, I BELIEVE USG IS CONTINUING A STERILE POLICY (FOR WHICH THE CODE TERM IS "NON-OVERT ECONOMIC PRESSURE") IN DENYING EXIMBANK CREDITS TO U.S. INVESTORS
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AND EXPORTERS AND GRUDGINGLY PROVIDING ONLY LIMITED ACCESS

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TO IFI CREDITS. THIS POLICY STANCE IS GAINING US NO APPRECIABLE LEVERAGE WITH THE GOP IN THE INVESTMENT TALKS OR ANYWHERE ELSE, BUT IS LOSING NEW EXPORT OPPORTUNITIES (SALES AND TECHNICAL SERVICE CONTRACTS) RUNNING, LITERALLY, IN THE UNDREDS OF MILLIONS OF DOLLARS. I AM AWARE THAT THE PROBLEM PRIMARILY IS DUE TO TREASURY AND CIEP OPPOSITION TO CREDITS TO PERU WHILE NATIONALIZATION U.S. INVESTMENTS HAVE NOT BEEN COMPENSATED, BUT THE SAD FACT IS THAT THE U.S. IS BITING OFF ITS NOSE (LOSING OUT ON SIGNIFICANT EXPORT OPPORTUNITIES) TO SPITE ITS FACE (ATTEMPTING TO GET FULLY SATISFACTORY COMPENSATION FOR SOME OF THE OLDER U.S. INVESTMENTS). TO THE CONTRARY, IT MAY PROVE TO BE THE CASE THAT THE BEST WAY TO HAVE ACHIEVED SATSIFACTORY SOLUTIONS TO THE INVESMENT DISPUTES THEMSELVES WOULD HAVE BEEN THROUGH COOPERATION WITH GOP ON OTHER FRONTS, RATHER THAN PURSUING OUR PRESENT CLENCHED-TEETH CONCESSIONS ON IFI LOANS AND OTHER ISSUES.

3. IN SUM, IT OUGHT TO BE POSSIBLE TO DEAL WITH THE PRESENT GOP, DESPITE ITS SELF-DESCRIBED STATUS AS A "THIRD WORLD NON-ALIGNED NATION," IN TERMS OF A SIGNIFICANT U.S. ECONOMIC STAKE IN THIS COUNTRY. BUT WE CANNOT HOPE TO ACCOMPLISH THIS UNLESS AND UNTIL THE USG EXECUTIVE BRANCH ADOPTS A MORE FLEXIBLE STANCE TOWARD GOP. (IT IS, I SUPPOSE, TOO MUCH TO HOPE FOR THAT CONGRESS FOR ITS PART WILL REFRAIN FROM FURHER PUNITIVE LEGISTLATION ALONG THE LINES OF THE HICKENLOOPER AND GONZALEZ AMENDMENTS TO THE FAA, AND VARIOUS AMENDMENTS RESTRICTING FMS AND OTHER PROGRAMS OVER FISHERIES ISSUES.)

4. APART FROM THE BASIC POLICY ISSUES DEALTH WITH ABOVE, THE DEPARTMENT IS PROVIDING ADEQUATE AND APPROPRIATE POLICY GUIDANCE. (ONLY ONE OF THE PAST THREE CASP'S FOR PERU HAS BEEN APPROVED IN WASHINGTON, BUT THIS AGAIN IS DUE TO USG AGENCIES DIFFERING VIEWS ON THE BASIC ISSUES.) I BELIEVE THERE IS A PROPER FOCUS AS BETWEEN THE REQUIREMENTS ON MULTILATERAL AND BILATERAL DIPLOMACY. AS A GENERAL STATEMENT I BELIEVE THAT ALL SERIOUS VIEW-
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POINTS ON ANY GIVEN ISSUE, MULTILATERAL OR BILATERAL, ARE BEING DISCUSSED OPENLY AND FULLY WITHIN ARA/LA, AND WITHIN THE DEPARTMENT AS A WHOLE. AND WHILE I HAVE RESERVATIONS ABOUT REASURY AND CIEP THESE DAYS REGARDING PERUVIAN ISSUES, I BELIEVE OTHER USG AGENCIES GIVE ADEQUATE ATTENTION TO THE VIEWS AND REQUESTS OF THIS EMBASSY. FOR EXAMPLE, THE MISSION'S RELATIONS WITH DOD, USIA, AID/W, PC AND OTHERS HAVE BEEN AND REMAIN

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PRODUCTIVE AND MUTUALLY ADVANTAGEOUS.

5. I AM MOST APPRECIATIVE FOR THE EXCELLENT BACK-STOPPING BEING PROVIDED THE POST BY ARA/LA. I HAVE NO SUGGESTIONS FOR IMPROVEMENTS AND INDEED AM QUITE SATISFIED WITH SUPPORT BY THE ARA " FRONT OFFICE, " ARA/EP, ARA/MGT, AND OTHER BUREAU OFFICES WITH WHICH EMBASSY DEALS ON A CLOSE AND REGULAR BASIS.
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